



City of Santa Barbara
Airport Department

DATE: February 15, 2012
TO: Airport Commission
FROM: Karen Ramsdell, Airport Director
SUBJECT: Fiscal Year 2012 Mid-Year Review

RECOMMENDATION: That Commission receive a report on the status of the Department's budget as of December 31, 2011.

DISCUSSION:

Each year staff analyzes the adopted budget and if necessary requests adjustments based on new information or unanticipated events that occurred since the adoption of the budget in June 2011.

Operational Trends

The FY 2012 budget projected occupancy of the new airline terminal in June 2011. This date was extended to August 17, 2011, so some of the expected revenues will not be realized.

Total passenger traffic for the first six months of FY 2011 is down 7% from the same period in 2010. The airline industry continues to have bankruptcies and mergers reducing the number of airlines, planes and seats to generate profits. The announcement by Alaska Airlines to add seasonal Portland, Oregon service is good news and will have a beneficial effect on landing fees and concessions.

Parking revenue is 13% below the same period last year, primarily due to a decrease in passenger traffic coupled with the closure of the Short-Term parking lot and other impacts from construction. Additionally in the projected budget for this revenue item, a rate adjustment was included totally \$53,500 per month for six months or \$321,000.

However, concession sales at the Terminal from the gift shop are up 50%, and restaurant revenues have increased 30% over prior year. Both are meeting or exceeding projections.

Another aviation indicator is general aviation aircraft fuel sales which are up 3% over the same period last year.

Commercial industrial properties are also stable with some growth. The occupancy rate for all rentable building and land square footage is 99.9 as of December 31, 2011.

Revenues

Airport budgeted revenues through the first six months of the fiscal year are 1.7% above projections.

Commercial/Industrial revenue is **2% above target**.

Non-Commercial includes the rental received from the Fixed Base Operators, air freight operators, Ampersand, and other general aviation users and is above target due to increased fuel sales, percentage fees from aircraft maintenance and flight school activities as well as general aviation landing fees from increased operations.

The **Airline Terminal** revenues are on target but have disparities in parking revenues. Parking revenue has been impacted by the decrease in passenger traffic and construction. A rate adjustment for the Long-term lot No. 1, at the Airline Terminal, is effective February 1, 2012 increasing the rate from \$9 to \$12 per day.

Similarly **Commercial Aviation** revenue, Airline Terminal building rental and landing fees for the commercial airlines and airfreight, is below projections due to the delay in move-in of the new facility. Overall revenue is 4.5% below target. A new airline fee, Boarding Bridge fee, was put in place with the opening of the new Airline Terminal; however the budgeted fee totaling \$448,000 was not agreed to by the airlines. After numerous meetings, the airlines agreed to a fee of \$42 per turn or a total of \$172,000.

Other revenue is exceeding budget due to collection of TSA reimbursements from the prior year, sale of equipment, and other unanticipated revenue. **Transportation Security Administration** has issued a notice of continued reimbursement for patrol services, but at a reduced rate. .

Expenditures

Overall Departmental operating expenses are 8.6% below budget.

Salaries and Benefits are 5.1% below budget with vacant positions in Patrol, Marketing, and Maintenance. Patrol vacancies are being covered with overtime and hourly employees.

The Airport tracks **Supplies and Services** in four categories: overall supplies and services, ARFF, Engineering reimbursement, and Allocated costs. A variance of -25.1%

is found for overall supplies and services. Anticipated operating expenses for the new terminal building have not been used creating a savings in this line item. It is anticipated that **ARFF, Engineering and Allocated Costs** will remain within the budgeted amounts.

Summary

The Airport will closely monitor all expenses in the Department's operating budget to reduce expenditures where necessary to offset potential shortfalls in revenues.

Adjustments

Due to unanticipated circumstances, Airport staff is recommending an increase in appropriations in three existing capital projects and funding three new capital projects. Each of these is described below.

Existing Projects:

1. Goleta Sanitary District Upgrade (\$767,000) – The Airport is a member of the Goleta Sanitary District. In October 2007, the City Council approved the third amendment to the Agreement for expansion of the Goleta Sanitary District sewage disposal treatment plant. The Airport's share of the cost is based on capacity allocation of 2.84%. Funding for the design, permitting, and initial construction was funded in 2007; the construction contract has been issued by the District and the Airport's remaining share of costs is \$767,000.
2. Goleta Slough Mitigation (\$551,341) – The Runway Safety Project included approximately \$9 million in mitigation projects in the Goleta Slough Ecological Reserve. These projects must be maintained for seven years after construction. Federal grants were used for the first three years; however, since the grants have closed, the Airport is responsible for providing funds for the remaining maintenance period.
3. Airline Terminal Improvement (\$538,724) – Funding for the Terminal project included Federal Aviation Administration and Airport Improvement Program (AIP) grants. Congress has failed to pass legislation for the FAA and the AIP entitlement grant program since 2007. As a result, the Airport did not receive grant funds in a timely manner and had to use Airport capital funding. In most recent weeks, the Senate and House passed a bill to renew and extend federal aviation grant funding through 2015, and the President is expected to sign it into law. The City will still be required to submit grant applications to be eligible; grant funding is expected to be awarded by June 2012. It is anticipated that the City may be reimbursed for some of the project costs included in this appropriation request.

New Projects:

1. Parking Lot Kiosk (\$120,000) – The Airline Terminal Improvement Project included a redesign of the short-term parking lot using automated parking equipment. The automated equipment requires parking staff to be available to assist when equipment malfunctions, requiring construction of a small kiosk in the short-term parking lot.
2. Parking Lot Kiosk Equipment (\$250,000) – Automated parking equipment will be installed in the short-term parking lot, which is re-opening after completion of the terminal expansion. The equipment purchased will be consistent with equipment already in place at both long-term lots.
3. Building Demolition (\$130,000) – There are structures on the Airport that are no longer habitable, and require removal; project will include the demolition of the Chrysler building and a hangar.

Staff recommends funding all of the additional appropriations totaling \$2,357,065 from reserves in the Airport Operating Fund above amounts required and funded pursuant to City policy.

Budget Subcommittee

On February 10, 2012, Airport Commission Budget Subcommittee met and received reports on the Mid-Year Financial Report and the budget process for developing the FY 2013 operating budget.

CITY OF SANTA BARBARA
Airport Operating Fund
Financial Report
For Month Ended 12/31/11 (50 % of Fiscal Year)

Dec-11

	Actual	Adopted	Adopted	Adopted	Actual		
		Budget	Budget with carry-forwards	Budget	6 month	\$	%
	2011	2012	2012	2012-50 % of Fiscal Year	2012	Variance	Variance
Operating Revenue							
Leases							
Commercial & Industrial	\$ 4,276,814	\$ 4,171,000	\$ 4,171,000	\$ 2,085,500	\$ 2,167,242	\$ 81,742	3.9%
Non-Commercial Aviation	1,421,424	1,435,600	1,435,600	\$ 717,800	793,902	\$ 76,102	10.6%
Terminal							
Rental Cars(inc land lease for QTA)	2,313,641	1,824,533	1,824,533	\$ 912,267	1,296,818	384,552	42.2%
Parking	2,600,010	3,071,000	3,071,000	\$ 1,535,500	1,105,065	(430,435)	-28.0%
Concessions	128,030	213,500	213,500	\$ 106,750	95,325	(11,425)	-10.7%
Terminal sub-total	<u>\$ 5,041,681</u>	<u>\$ 5,109,033</u>	<u>\$ 5,109,033</u>	<u>\$ 2,554,517</u>	<u>\$ 2,497,208</u>	<u>\$ (57,309)</u>	<u>-2.24%</u>
Commercial Aviation							
Building	1,217,849	1,880,000	1,880,000	940,000	874,505	(65,495)	-7.0%
Landing Fees	1,056,777	1,097,000	1,097,000	548,500	529,880	(18,620)	-3.4%
Landing Fees (Freight/Charter)	38,604	40,000	40,000	20,000	20,707	707	3.5%
Boarding bridges		448,000	448,000	224,000	16,044	(207,956)	-92.8%
Commercial aviation sub-total	<u>2,313,230</u>	<u>3,465,000</u>	<u>3,465,000</u>	<u>1,508,500</u>	<u>1,441,136</u>	<u>(83,408)</u>	<u>-4.5%</u>
Total Leases	<u>\$ 13,053,149</u>	<u>\$ 14,180,633</u>	<u>\$ 14,180,633</u>	<u>\$ 6,866,317</u>	<u>\$ 6,899,488</u>	<u>\$ 17,128</u>	<u>0.48%</u>
Other							
Interest Income	229,203	214,300	214,300	107,150	92,270	(14,880)	-13.9%
TSA Reimbursement	68,445	163,052	163,052	81,526	163,286	81,760	100.3%
Other	35,659	22,000	22,000	11,000	29,719	18,719	170.2%
Other sub-total	<u>333,307</u>	<u>399,352</u>	<u>399,352</u>	<u>199,676</u>	<u>285,275</u>	<u>85,599</u>	<u>42.87%</u>
Total Operating Revenue	<u><u>\$ 13,386,456</u></u>	<u><u>\$ 14,579,985</u></u>	<u><u>\$ 14,579,985</u></u>	<u><u>\$ 7,065,993</u></u>	<u><u>\$ 7,184,763</u></u>	<u><u>\$ 102,727</u></u>	<u><u>1.7%</u></u>
Operating Expenses							
Salaries & Benefits	4,799,557	5,243,209	5,243,209	2,621,605	2,494,538	-127,067	-5.1%
Furlough Savings	(124,240)	(241,578)	(241,578)	(120,789)	-56,691	64,098	-113.1%
Supplies & Services (1)	2,706,796	3,010,402	3,152,867	1,576,434	1,260,025	-316,409	-25.1%
ARFF	1,890,064	1,810,438	1,810,438	905,219	902,720	-2,499	-0.3%
Engineering	342,454	327,089	328,668	164,334	161,038	-3,296	-2.0%
Special Project (2)	845,665	973,173	941,298	470,649	372,824	-97,825	-26.2%
Equipment	30,457	129,276	129,276	64,638	47,538	-17,100	-36.0%
Allocated Costs	1,239,391	1,290,671	1,290,671	645,336	645,488	153	0.0%
Total Operating Expenses	<u><u>\$ 11,730,144</u></u>	<u><u>\$ 12,542,680</u></u>	<u><u>\$ 12,654,849</u></u>	<u><u>6,327,425</u></u>	<u><u>\$ 5,827,480</u></u>	<u><u>\$ (499,945)</u></u>	<u><u>-8.6%</u></u>
Net operating gain / (loss)	\$ 1,656,312	\$ 2,037,305	\$ 1,925,136	\$ 738,568	\$ 1,357,283	\$ 618,715	
Debt Service-Tfrs out			\$ 1,113,099	\$ 556,550	\$ 800,734		